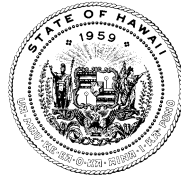


DAVID Y. IGE
GOVERNOR
STATE OF HAWAII

SHAN S. TSUTSUI
LT. GOVERNOR
STATE OF HAWAII



JOBIE M. K. MASAGATANI
CHAIRMAN
HAWAIIAN HOMES COMMISSION

WILLIAM J. AILA, JR.
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF JOBIE M. K. MASAGATANI, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON HOUSING
IN **SUPPORT** OF

HB 142, RELATING TO AFFORDABLE HOUSING ON HAWAIIAN HOME LANDS

February 2, 2015

Chair Hashem, Vice-Chair Jordan, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) is in strong **support** on this bill which makes permanent provisions for affordable housing credits to be requested by DHHL and received from each county for units developed on Hawaiian home lands. This language of this bill is nearly identical to a bill that is part of the Governor's administrative package by request of our department.

Affordable housing credits have afforded the department greater opportunities to gain resources to develop homesteads and, thus, meet our mission to return native Hawaiians to our trust lands. Since Act 141 was passed by the legislature in 2009, this program has been very successful for DHHL, but it is set to repeal in 2015. By making this program permanent, DHHL can continue to form private-public partnerships through the exchange of credits creating resources for the department, and DHHL can earn these resources without requiring any state funds.

During the interim since the last legislative session, our department has worked with the County of Kauai to execute a memorandum of agreement to smooth implementation of this program and to address concerns related to home rule previously raised by this county. We are also currently working on a memorandum of agreement with the City and County of Honolulu to do achieve the same goal.

Finally, we ask that you consider a technical amendment to change the effective date of the Act to June 29, 2015, as the statutory language is set to repeal on June 30, 2015. Any effective date on or after June 30 will make this legislation moot. Page 2, line 1 should read as follows:

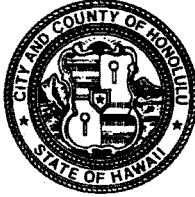
"SECTION 4. This Act shall, upon its approval, shall take effect June 29, 2015."

Thank you for your consideration of our testimony.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
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KIRK CALDWELL
MAYOR



GEORGE I. ATTA, FAICP
DIRECTOR

ARTHUR D. CHALLACOMBE
DEPUTY DIRECTOR

February 2, 2015

The Honorable Mark J. Hashem, Chair
and Members of the Committee on Housing
State House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Hashem and Committee Members:

SUBJECT: House Bill No. 142
Relating to Affordable Housing on Hawaiian Home Lands

The Department of Planning and Permitting (DPP) **opposes** House Bill No. 142, which makes permanent, the affordable housing credit program under the Department of Hawaiian Home Lands (DHHL). We testified on similar bills in the past, which either proposed to extend the program, or establish it permanently.

The City strongly supports an increase in the inventory of affordable housing units. The City also recognizes the challenges faced by DHHL in fulfilling its obligations to its beneficiaries. However, we testified in opposition to this program at its inception in 2009. This program costs the State of Hawaii nothing. In fact, it creates credit value that DHHL can sell to developers who have an obligation to fulfill affordable housing requirements imposed by the counties. It undermines the ability of the counties to provide new affordable housing to all its residents within county-defined income need groups, on a time schedule commiserate with private sector construction, and in geographic areas where the counties believe affordable housing is needed.

In the six years since this mandatory credit program was adopted as Act 141 (2009, Session Laws of Hawaii), the City and County of Honolulu awarded more than 700 affordable housing credits to DHHL. If this program continues, we expect about 300 more in the near future. These are high figures compared to the total amount of affordable housing otherwise delivered; in high-construction years, the private sector delivers about 600 affordable housing annually.

The goal should not be to redirect the resources and/or opportunities from one branch of government at the expense of another. We all need to work together in addressing the affordable housing shortage.

As you may know, the city is focusing on encouraging affordable housing in the rail corridor. This DHHL program dampens the county's ability to do so, in that credits for

The Honorable Mark J. Hashem, Chair
and Members of the Committee on Housing
State House of Representatives
Hawaii State Capitol
RE: House Bill No. 142
February 2, 2015
Page 2

housing in Nanakuli can substitute for housing that would have been delivered in the corridor. Moreover, the DHHL credits represent single-family dwellings, and the city is promoting denser, "infill," multi-family projects.

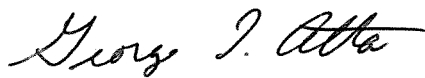
We do have ongoing conversations with DHHL about the opportunities that transit-oriented development (TOD) represents to DHHL in fulfilling its mission; whether as an independent housing developer or in partnership with other developers and landowners. We are encouraged by these conversations in recent months. To allow the credit program to continue would appear to be a disincentive to TOD.

Lastly, please note that DHHL can already participate in our affordable housing program without this credit law. They would receive the same benefits that private housing developers receive. Namely, for qualifying units, the DHHL would receive a higher benefit ratio than one credit for one housing unit. The credit value is increased for larger units and those that are kept in the affordable sales range for a longer period of time. Units that are located in the rail corridor can also receive bonus credits.

In summary, we believe Act 142 benefits the DHHL at the cost of the counties' programs. It infringes on home rule and the counties' ability to administer their affordable housing programs. If Act 142 cannot be held, we ask that you amend it by making it an optional program, subject to compliance with county programs.

Thank you for this opportunity to testify.

Very truly yours,

A handwritten signature in cursive script, reading "George I. Atta".

George I. Atta, FAICP
Director

GIA:ks